

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION  
CITY OF SCOTTSDALE  
KIVA FORUM - CITY HALL  
3939 N. DRINKWATER BOULEVARD  
SCOTTSDALE, ARIZONA 85251  
MAY 17, 2011  
REGULAR MEETING  
APPROVED MINUTES**

**PRESENT:** Kate Birchler, Chairwoman  
Mike Surguine, Vice Chairman  
Ace Bailey, Commissioner  
Kathleen Glenn, Commissioner  
David Richard, Commissioner

**ABSENT:** Leon Young, Commissioner  
Michael Hoffman, Commissioner

**STAFF:** Steve Geiogamah, Tourism Development Coordinator  
Bryan Dygert, WestWorld General Manager  
Bob Tunis, Economic & Tourism Development Manager  
Paul Katsenes, Community and Economic Development  
Lee Guillory, Finance Manager  
Rita McCleary, Economic Vitality  
Jim Mullin, Economic Vitality Director

**GUESTS:** Brent DeRaad, SCVB  
Betty Drake  
Rachel Sacco, SCVB  
Mike Fox  
Doug Huls

**1. Call to Order/Roll Call**

Noting the presence of a quorum, Chairwoman Birchler called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:03 a.m. She advised everyone that she planned to adjourn the meeting no later than 9:30.

**2. Approval of Minutes**

- April 19, 2011 Regular Meeting

With regard to the Equidome, Vice Chairman Surguine commented that although the minutes stated there are two ways the public sector could finance the general obligation bonds, the second way was not explained. He requested an explanation. Mr. Geiogamah said Mr. Dygert will present an update this morning.

Chairwoman Birchler asked if staff has an update on the work study session with City Council. Mr. Tunis said the date has not yet been determined.

**COMMISSIONER BAILEY MOVED TO APPROVE THE MINUTES OF THE MARCH 15, 2011 REGULAR MEETING. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0). COMMISSIONERS HOFFMAN AND YOUNG WERE ABSENT.**

**3. Manager's Report**

**a. Staff Bed Tax Collection Report**

Mr. Geiogamah reported on bed-tax activity for the month of March. Collections were up 10%. Hotel/motel sales tax revenue was up by 5%. Miscellaneous retail sales tax was up 15%. Restaurant tax changes were up 4%. Resort hotels were up almost 6%. Full service hotels were up 15%. Limited service hotels were up 10%.

Chairwoman Birchler said these numbers are fantastic. Commissioner Richard opined that the leisure market is coming back strongly, but there is still work to be done in the group segment. He has noticed that many of the bigger convention hotels are lagging about five percent year to date compared with last year. Vice Chairman Surguine said they have to look at how far they need to go to get back to the levels of 2006. They needed occupancy recovery in order to achieve rate recovery. If occupancy continues to improve he anticipates that they will be able to regain rates. Commissioner Bailey said that locally she is seeing much interest. Concierges are calling on behalf of individuals who want to do tours into the summer. Commissioner Glenn said she sees a recovery into 2012. Referring to an article in the Arizona Republic about summer business and staycations, Chairwoman Birchler asked if they are seeing summer business. Commissioner Bailey said trolley tour bookings are a bellwether for her. They are booked through November with a wait list.

**b. Bed Tax Proforma**

Mr. Geiogamah noted that staff has made adjustments to some of the expense classifications based on recent activity. Net tourism program revenue through April is \$4.6 million. Two capital projects have been added, the Desert Discovery Center Phase III and the Equestrian Center project.

Chairwoman Birchler asked if there is any concern that they have spent more than budgeted on administrative expenses. Mr. Geiogamah said there is still an overall expense category surplus. Chairwoman Birchler asked why they are trending higher than had been estimated. Mr. Geiogamah noted there were some additional positions added during the fiscal year.

Vice Chairman Surguine said it seems odd to compare year to date numbers against the budget for the entire year. Mr. Geiogamah said staff will include year to date budget numbers in the report if the Commission wishes. Vice Chairman Surguine said to him it would be more informative.

c. Smith Travel Report

Mr. Geiogamah stated that the occupancy rate for March was up 3.4% over last year. The ADR was up 5.4% and the RevPar was up 8.9%. Year to date occupancy is up 3.1%. Year to date ADR is up 5.9%, and year to date RevPar is up 9.2%.

d. Manager's Update

Mr. Tunis said staff is working to complete a number of projects before the end of June. As part of the Boards and Commission audit a general review of the bylaws will be conducted since it has been over ten years since the last overall review. Staff expect this will be done in the fall.

Chairwoman Birchler reiterated that she would like to know the status of the work study session with City Council. If a meeting cannot be scheduled she would like staff's advice as to what the Commission can do to have a dialog in order to understand Council's priorities. She commented that every time she raises this issue it is reflected in the minutes but several months have gone by without moving forward.

Mr. Geiogamah said in the past the Commission has identified items for staff to take a closer look at. Staff will be making a presentation to the City Council Economic Development Subcommittee regarding the proposed bed tax allocation percentages and event policy on June 8.

Mr. Tunis asked Chairwoman Birchler if she would prefer to get a clear yes or no answer regarding the work study session with City Council. She agreed that she would, because otherwise this stays on the Commission's to-do list. If the answer is no, she would like to understand what other options are available to the Commission. Since these are budget issues, they need to understand Council's priorities.

**4. Bed Tax Allocation**

Ms. Guillory presented a draft bed tax allocation policy. When the bed tax was increased to 5 percent, 50 percent was for destination marketing and the other half was for other tourism related uses. Staff needs clarification on this category. Council approved the use for this fiscal year. Going forward staff needs guidance on uses in future years. Currently 24 percent is allocated to the General Fund, eight percent is for administration and other professional services, 18 percent to event retention and the remainder was for capital projects. Sample numbers were provided in the report based on total bed tax of \$12 million annually. Proposed capital projects allocations were to be split into five categories or projects so that all the capital funds from bed tax would not be spent on just one project. When this was presented to the Council Subcommittee on Economic Development, one Councilmember requested that the funds be split between four capital projects with the fifth category open to be either a capital project or one-time event funding. Given bed tax of \$12 million, each capital project would receive approximately \$600,000. These funds could be used towards a capital project or could be spent on debt service for a capital project. This amount would support debt of about \$10 million on a 30-year bond, or about \$7.5 million on a 20-year bond. Tourism has already committed to the WestWorld land debt service, which is \$600,000 per year.

Chairwoman Birchler said she was very pleased to have this discussion. The Commission has wanted to discuss how the other 50 percent of bed tax funds would be allocated. She asked what the feedback was from the Council Subcommittee on Economic Development. Mr. Geiogamah said the draft policy takes into account the Subcommittee's comments. Next steps will be bringing this as an action item on next month's Commission agenda to formalize a recommendation to City Council for approval on June 28.

Commissioner Richard asked Ms. Guillory to explain how the fund carryover would work. She assured him that these funds will remain available for tourism related projects and cannot be siphoned off. This is why they recommend setting up a capital area so that the money can be tracked from one year to the next. Commissioner Richard asked how tourism related projects are defined. Ms. Guillory said she has not heard a formal definition but her understanding, like his, is that these are capital projects that would drive bed tax. Chairwoman Birchler pointed out that was consistent with the ballot language on Proposition 200.

Vice Chairman Surguine asked whether unspent funds carried over would be limited to capital projects. Ms. Guillory said it could be used for event retention, at the recommendation of City Council.

Commissioner Richard asked whether event retention and attracting new events are in the same category. Mr. Geiogamah confirmed that they are.

Chairwoman Birchler confirmed that following today's discussion, the Commission will take formal action at their June meeting to forward a recommendation to City Council for June 28. She asked Mr. Geiogamah whether going forward the Commission will have an opportunity to make recommendations to City Council regarding capital projects. He confirmed if needed, that they can use the capital projects matrix evaluation form introduced at the November 2010 Commission subcommittee meeting.

## **5. Tony Nelssen Equestrian Center at WestWorld**

Mr. Dygert provided an update. He noted that staff are still working from the construction numbers arrived at last summer. The first 30 percent design portion of the project is in process. Staff expects new cost numbers within the next few weeks. The total cost is currently \$30,257,000 if completed in one major step. Last summer staff looked into phasing this project, and they are still considering this approach, with the financing and construction ramifications. The Equidome is the core of the project, and its estimated cost is just over \$9 million. The south hall could be a second step and the north hall would be the third step later. The north office could be added at any point in the future.

They would need to finance \$33 million because of bonding requirements. Acknowledging Vice Chairman Surguine's comments at the start of the meeting, Mr. Dygert explained that there are two ways public entities can finance bonds. One is through general obligation bonds, and the other is through municipal bonds. Municipal bonds are required to have an allocated debt service revenue stream. Ms. Guillory confirmed that this is accurate and also City policy. General obligation bonds are

supported by property taxes and require a public vote to approve them. Mr. Dygert said that staff was leaning towards issuing municipal bonds and using a portion of the capital allocation from bed tax monies to provide debt service.

Mr. Dygert reviewed the WestWorld financial statement for FY 2009/10, noting that this year's numbers will be very similar. He discussed the projections for the Equidome project, emphasizing that these are based on the equestrian industry although the facility could be used for other events. Building the expansion would enable WestWorld to run a balanced operational budget, which is rare in the industry. Most horse show and event facilities are publicly owned and run at a deficit. The true core value of the facilities is the spending around the events, such as hotels, restaurants, gas stations, et cetera.

Vice Chairman Surguine asked how the current deficit is funded. Mr. Dygert responded that WestWorld is subsidized through the General Fund.

Commissioner Richard asked whether the \$2.69 million in revenue is all from equestrian events. Mr. Dygert said that figure represents all their revenue, not just equestrian. About three-quarters of the activity is horse show and the remainder is special events. He did not have a breakdown of the financial information. The facility rents out RV spaces and sells feed and bedding for horses. Everything else is a wholesale operation. He reminded the Commission that WestWorld is only open for nine months out of the year, so the figures are very impressive.

In reply to a query from Commissioner Richard, Mr. Geiogamah said the bed tax on the RV rentals goes into the bed tax funds.

Mr. Dygert said staff is still scrutinizing the projections on operating revenue. He has taken information from other climate controlled facilities and built in expenses as well as revenue based on market research on the horse show industry.

Commissioner Richard inquired about the feasibility study. Mr. Dygert said staff hired an independent consultant to do market research on the horse show industry both nationally and regionally. He conducted the other research himself, getting colleagues in the industry to share information. Commissioner Richard said he is wrestling with the fact that they are moving the Equidome improvements through yet are also considering another special events facility. He questioned why they are not looking at the totality of the master plan to decide which component will draw more revenue. Looking at the priorities with his private sector perspective he asked whether it makes sense to pick this plan without evaluating which project would generate the most revenue and help tourism the most. The Equidome project is great, but he believes there are other things that they need to look at before committing.

Mr. Dygert said staff has looked at doing all the improvements in one phase several times. To fully capitalize WestWorld's value, special events and equestrian events should not be in the same infrastructure. They want to be able to host equestrian and special events simultaneously. One of the first things he learned when he started in this position was that it is difficult to do both types of events at the same time, due to the layout of WestWorld, and because much of the land belongs to the Bureau of Reclamation. To maximize opportunities, it makes sense to have the special events on City land. He noted that the Barrett-Jackson Classic Car Auction and the Arizona

Quarter Horse Association Sun Country Circuit often occur at the same time. Without making the improvements to the Equidome the City has to choose which event to host.

He explained that he made the decision to start by improving the Equidome because of its position within the horse show industry. It was easier to predict the results of using the Equidome year round.

Commissioner Richard said the other part of the equation is what has the most revenue generation potential. He suggested they need a work study session, as he does not understand all the logistics. He would like a better understanding of the special events facility and to look at that together with the Equidome to have a sense of the best strategy. In reply to a query from Mr. Dygert, Commissioner Richard clarified that he was talking about looking at the totality of the project. He pointed out that the Equidome, while not perfect, is at least available nine months of the year, whereas the special events facility does not yet exist and could potentially bring in more revenue. He asked Ms. Guillory whether the funds to renovate the Equidome would be taken from a different capital fund. She said this is considered a new capital project and would need new funding.

Commissioner Glenn asked which generates more bed tax income, the special events or the equestrian events? Mr. Dygert said the equestrian events generate more because of their volume. There are differences in the industries. Horse shows are very large, very diverse, and very mobile. WestWorld is able to host two or three horse shows a week. Special events are primarily driven by ticket sales. Attendees tend to be drawn more from the local market, however they have other economic impacts.

Commissioner Glenn said a comparison between an event like the Barrett-Jackson Classic Car Auction and a two-day horse show would suggest that the car auction has more impact on bed tax. She agrees that the Equidome needs to be improved, but queried whether those improvements could generate enough bed tax to fund the improvements. She asked how the three big annual events are booked.

Mr. Dygert replied that most national show producers want a multi-year contract of three to five years. The national Arabian horse group that staff has been talking to would like a ten or twenty-year contract ideally.

Commissioner Glenn asked him if the contracts are taken into consideration in his projections. Mr. Dygert said his numbers are based on the market research that was done and his own networking. Within the last five days he has been talking with a national group that wants to create a new world championship for 2012. They are looking for two venues, one in the east and one in the west. They are very interested in WestWorld. This would last five to seven days and involve 700 to 1,000 horses. This group is looking for a three to five-year contract.

Chairwoman Birchler requested a copy of the research for the Commission. Mr. Geiogamah undertook to circulate it. He added that one of staff's initiatives for the next fiscal year is to develop an event economic data report with the help of an outside consultant.

Vice Chairman Surguine asked whether any economic impact study has been done to compare equestrian and special events. He opined that they need to look beyond ticket sales to evaluate the impact of special events. Before deciding to spend \$30 million they should know which project has the greater positive economic impact. Mr. Geiogamah said the last study was done in 2004. Economic Vitality is weighing the different issues and will bring those reports to the Commission for review.

Mr. Dygert stressed that the Barrett-Jackson Classic Car Auction is a unique event. WestWorld is privileged to host them. The market research showed that WestWorld could host up to 14 national equestrian events. These are events that are willing to either move and/or create new events. Some of these events move around quite often, however he has identified three new events that he believes realistically could come to WestWorld and stay there over a period of years. They would create an estimated economic impact of \$38 million. Nine local events which hold current contracts told the consultant that they have plans and wishes to grow their own production by adding nine new events. This cannot happen as things are now, because the Equidome is fully booked for the nine months it can be used. These events would be prepared to book the Equidome during the summer once the improvements have been completed.

Commissioner Glenn inquired about the impact on retail and bed tax of the local shows. Mr. Dygert said local is defined as central Arizona or even the entire state. People will drive four to five hours to attend a local horse show. In a show of 250 horses he estimated that 15 to 25 percent would be from Maricopa County with the remainder traveling from farther afield. He displayed a slide showing projected annual gross tax receipts and occupancy tax. They project \$1.3 million taxes to the City, including \$880,000 in occupancy tax. He concluded the PowerPoint presentation with more information about the timeline, and a new aerial view of the concept.

Chairwoman Birchler said having the market research to review will be helpful. She asked about WestWorld's next steps, which Mr. Dygert outlined. An open house is scheduled for tomorrow, they will go before the Development Review Board, and before City Council in early July.

Commissioner Richard asked whether Economic Vitality had helped staff with the numbers. Mr. Geiogamah confirmed that they had. They have not yet started working on numbers for the special events facility.

Chairwoman Birchler invited Mr. Doug Huls of the Arizona Quarter Horse Association to address the Commission. He said that at their last show, about 1200 stalls were used by 117 stall groups, 98 of which were from out of state. This equates to a very conservative estimate of approximately \$62,000 in restaurant spending per day. The event is ten days for exhibitors and 12 days for trainers. Since 84 percent of the exhibitors are from out of state, they have to stay somewhere. Approximately 30 percent of them would be in RVs at WestWorld; the remainder would be in hotels. He shared that having an air-conditioned facility is a no-brainer and would help fill local hotels in the summer.

## **6. Museum of the West Update**

Mr. Mike Fox, executive director of the Museum of the West, addressed the Commission, noting that the Chairman of the Board, Jim Bruner, sent his regrets. Material regarding the Museum was included in the Commission's packet. He reviewed the site plan. They are working with the City to expand the Museum's footprint to include parts of the Loloma transit station, which will be closing. This will enable them to build a multi-phased project which will be much more reasonably priced. The larger area will mean they can build more functional buildings without needing to build multiple stories. Their goal is to start construction of the first of three phases within six months. If approximately 20 to 25 percent of the bed tax is allocated to this project this is feasible, as they would be able to bond the first phase of the building. The Museum of the West would be responsible for the exhibits, the media, the presentations, and the ongoing operational costs.

Mr. Fox said this is the eighth opportunity he has had to help organizations achieve major new facilities. In addition to the human merit investment that municipalities make in the establishment of museums, there are many quantifiable ways to measure the importance and value of this project to the community. He mentioned several of these, saying that for every dollar a municipality contributes towards museum development, they have found an increase of seven dollars in taxes going back to the municipality. In the City-commissioned visitor study done in November, it was found that visitors spent 15 percent of their hotel visitor expenditures on entertainment and public attractions. Fifty percent of the people who contact the SCVB and then visit Scottsdale participate in museum and gallery visits, Western culture and attractions and Native American arts and culture. The Museum represents all three areas. He summarized that the Museum sees itself as a catalyst to help the community, as it will harness significant economic rewards. He hopes that the Museum could collaborate with WestWorld by providing changing exhibitions in the facility. He stressed that the Museum is here to serve the community and is not just confined within its four walls.

Vice Chairman Surguine asked about the total cost of the project. Mr. Fox said the three phases would be approximately \$11 million total. They do not yet have a concept, just the site plan because of difficulties with the site which have recently been resolved.

Commissioner Bailey commented that revitalizing downtown is extremely important. She believes this would be a wonderful addition. She asked about the exact location. Mr. Fox said it is at Marshall Way from First to Second Street, where Loloma is now.

## **7. Destination Marketing Guide**

Ms. Rachel Sacco of the SCVB presented the Destination Marketing Guide for the coming fiscal year, highlighting three overarching themes. The Sonoran Desert distinguishes Scottsdale from all its competitors and will be present in everything that they do. As a result of their research they will be doing more targeted regional campaigns. Paid advertisements in any given market will be leveraged with public relations, social media, and online presence. The SCVB will be putting renewed emphasis on the group market. They have a lot of work to do to regain lost ground but this represents 60 percent of the tourism business in Scottsdale.



Ms. Sacco stressed that their staff vet every tactic and program they have implemented over the last year to figure out what worked. Their office is one of the most research oriented bureaus in the country.

It is important for citizens to understand that the bed tax that funds the SCVB comes from the dedicated tax made possible by Proposition 200. Every dollar in bed tax is a catalyst for \$3 in sale tax for the community. The Bureau's budget will be around \$6 million for FY 2011/12.

Ms. Sacco reviewed highlights of the financial information. Staff has a list of marketing plans that cannot be fitted into the current budget. Every week they evaluate whether additional funds are available to execute items on that list.

New initiatives are to be generated in the tried and true markets of New York, San Francisco, Denver, Minneapolis, and Canada. There will be an increase in the search engine, mobile marketing, and pay per click initiatives that have been so successful. The Bureau is looking at showing Scottsdale as an adventure center. They are looking to reach higher level decision makers and meeting planners.

The brochures are being redesigned in a smaller format. Meeting planning is being brought in-house. They are adding cable TV ads in Denver, San Francisco, and Minneapolis. They are achieving an 84 percent conversion rate from people who click on Comcast to receive the visitors' guide.

Bureau staff plans to work with Economic Vitality staff to leverage special events to the maximum. They continue to be aggressive within Canada, the UK, and Germany.

She noted that convention sales are important. In 2008 the Bureau had four more staff members than they do today. They are strategizing with hotels in order to contact as many clients as possible. They are looking at corporate, incentive, and youth and amateur sports programs.

Pointing out that the Bureau's budget is increasing by just one percent, Ms. Sacco said that the SCVB has been carrying a load for the whole of Arizona because the Arizona Office of Tourism's budget has been slashed. They are willing to do this but have to admit it impacts their ability to sell Scottsdale to some extent.

She noted the sales schedule shows details of all the marketing initiatives to be undertaken over the next 12 to 18 months so that the Commission can see how they are leveraging their funding. This also allows the Commissioners to pick out marketing opportunities for themselves.

Chairwoman Birchler thanked Ms. Sacco and her staff for all their hard work on behalf of Scottsdale.

Commissioner Bailey said she had the privilege of working with the SCVB and conducted an architectural tour for three writers from Mexico City. It was their first visit to Scottsdale and they were blown away. Ms. Sacco said the Bureau will be bringing a focus on architecture next year, working with Taliesin West, Arcosanti, and Architecture Digest.

**COMMISSIONER RICHARD MOVED THE APPROVAL OF THE SCVB FISCAL YEAR 2011/12 DESTINATION MARKETING GUIDE. VICE CHAIRMAN SURGUINE SECONDED THE MOTION, WHICH CARRIED BY A VOTE OF FIVE (5) TO ZERO (0). COMMISSIONERS HOFFMAN AND YOUNG WERE ABSENT.**

**8. SCVB Destination Marketing FY 2011/12 Performance Measures**

Mr. Geiogamah explained that City staff has worked for several months with the SCVB to formalize the performance measurements. For the current year the Bureau is either meeting or exceeding its goals. This will be presented to City Council on June 28.

**VICE CHAIRMAN SURGUINE MOVED APPROVAL OF THE SCVB DESTINATION MARKETING FISCAL YEAR 2011/12 PERFORMANCE MEASURES. SECONDED BY COMMISSIONER RICHARD, THE MOTION CARRIED BY A VOTE OF FIVE (5) TO ZERO (0). COMMISSIONERS HOFFMAN AND YOUNG WERE ABSENT.**

**9. Identification of Future Agenda Items**

Chairwoman Birchler asked everyone to check their calendar to ensure a quorum for the June 7 meeting. Everyone in attendance indicated they would be able to attend.

**10. Public Comment**

None noted.

**11. Adjournment**

The meeting adjourned at 9:47 a.m.

Respectfully submitted,  
A/V Tronics, Inc. DBA AVTranz.